

Message Text

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ACTION ARA-20

INFO OCT-01 EA-11 ISO-00 AID-20 CIAE-00 COME-00 EB-11

FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12

SP-03 CIEP-02 LAB-06 SIL-01 OMB-01 FEA-02 SCI-06

NSC-07 SS-20 STR-08 CEA-02 L-03 H-03 PA-04 PRS-01

USIA-15 DRC-01 /180 W

----- 109058

R 312200Z MAY 74

FM AMEMBASSY LIMA

TO SECSTATE WASHDC 0307

INFO AMEMBASSY TOKYO

LIMITED OFFICIAL USE LIMA 4273

E.O. 11652: N/A

TAGS: ENRG, PE

SUBJECT: GOP OFFICIALLY ANNOUNCES JAPANESE LOAN FOR TRANS-
ANDEAN PIPELINE

REF: LIMA 4125

1. "EL PERUANO" MAY 30 CARRIED OFFICIAL ANNOUNCEMENT THAT COFIDE (THE STATE DEVELOPMENT BANK) AND THE JAPANESE PETROLEUM DEVELOPMENT CORPORATION SIGNED A BASIC AGREEMENT (ACUERDO DE BASES) ON MAY 24 FOR THE FINANCING OF THE TRANS-ANDEAN PIPELINE AND THE EXPLORATION OF PETROPERU'S BLOCKS IN THE NORTHERN JUNGLE. LOAN FIGURES AND INTEREST RATES MATCH THOSE REPORTED REFTEL: \$230 MILLION FOR PIPELINE AND \$100 FOR EXPLORATION OF PETROPERU'S BLOCKS. PAYMENT OF INTEREST AND PRINCIPLE (LATTER AFTER FOUR-YEAR GRACE PERIOD) WILL BE MADE, IN PART, THROUGH SALES OF BOTH CRUDE AND REFINED PRODUCTS TO JAPAN FOR PERIOD OF TEN YEARS. TOTAL VOLUME OF SALES TO JAPAN, INCLUDING THAT PART TO BE USED FOR REPAYMENT OF THE LOAN, WILL BE 153.6 MILLION BARRELS OF CRUDE AND 102.2 MILLION LIMITED OFFICIAL USE

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BARRELS OF REFINED PETROLEUM PRODUCTS AT WORLD MARKET PRICES,

NEGOTIATED AT SIX MONTH PERIODS. THE AGREEMENT IS SUBJECT TO APPROVAL BY BOTH GOVERNMENTS. FURTHER DETAILS WILL BE WORKED OUT IN MID-JULY, WITH THE FIRST PARTIAL DRAW-DOWN ON THE LOAN IN THE MIDDLE OF AUGUST.

2. OCCIDENTIAL PETROLEUM COMPANY OFFICIALS TOLD EMBASSY THEY BELIEVE THAT THE JAPANESE AGREEMENT WITH COFIDE WILL HELP OXY AS WELL AS OTHER COMPANIES SINCE PETROPERU HAD BEEN FLOUNDERING BUT CAN NOW MOVE AHEAD IN A MORE ORDERLY MANNER. OXY BELIEVES TERMS ARE FAVORABLE UNDER PRESENT CONDITIONS, BUT THAT PERU COULD HAVE STRUCK A BETTER BARGAIN SIX MONTHS AGO WHEN THE JAPANESE HAD SOUGHT ONLY 30,000 BARRELS PER DAY IN PART PAYMENT. UNDER THE PRESENT AGREEMENT, OXY UNDERSTANDS THAT PERU HAS COMMITTED 60,000 BPD FOR THE FIRST SIX YEARS PLUS 80,000 BPD FOR THE LAST FOUR YEARS. PERU, ACCORDING TO OXY, GAINED JAPANESE AGREEMENT TO ACCEPT UP TO 40 PERCENT OF THIS AMOUNT IN PRODUCT AND THE REMAINDER IN CRUDE.

3. OXY MANAGEMENT BELIEVES (A VIEW SHARED BY THE EMBASSY) THAT PETROPERU WILL NEED ADDITIONAL FINANCING AND HAS ASKED THE EMBASSY WHETHER THERE MIGHT BE A POSSIBILITY OF PETROPERU'S FINANCING CONSTRUCTION (ASSUMING A U.S. FIRM WINS THE CONSTRUCTION CONTRACT) PARTLY WITH EXIM MONEY AND PARTLY WITH JAPANESE MONEY. WE HAVE INFORMED OCCIDENTAL THAT WE COULD NOT COMMENT SPECIFICALLY ON DETAILED TERMS AND CONDITIONS IN THIS REGARD, BUT WE ARE AWARE OF NOTHING THAT WOULD PREVENT SUCH AN AGREEMENT. OCCIDENTAL ALSO REQUESTED EMBASSY SUPPORT WITH EXIM FOR ITS APPLICATION (WHICH HAS ALREADY RECEIVED PRELIMINARY APPROVAL) FOR \$62.1 MILLION LOAN AND \$62.1 MILLION GUARANTEE TO HELP FINANCE ITS OWN FEEDER PIPELINE.

4. COMMENT: THE EMBASSY WOULD APPRECIATE RECEIVING THE DEPARTMENT'S AND/OR EXIMBANK'S VIEWS AS TO WHETHER U.S. CONSTRUCTION FIRM CONTRACT COULD BE FINANCED PART BY EXIM LOAN AND PART BY JAPANESE YEN CREDITS. WE WOULD ALSO APPRECIATE ANY INFORMATION ON THE STATUS OF OCCIDENTAL'S PRELIMINARY REQUEST. (WE NOTE IN PASSING THAT PERU HAS NOW COMMITTED TO THE JAPANESE APPROXIMATELY 60 PERCENT OF OCCIDENTAL'S PRESENT PROVEN RESERVES, AND SHOULD THE JUNGLE FAIL TO YIELD SUBSTANTIALLY MORE OIL (AN UNLIKELY EVENT) PERU COULD FIND ITSELF IN LIMITED OFFICIAL USE

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THE AWKWARD POSITION OF PAYING JAPAN WITH CRUDE IT WOULD NEED FOR FUTURE DOMESTIC CONSUMPTION.)
DEAN

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Message Attributes

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Disposition Date: 28 MAY 2004
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